



PROGRAMME



WORKSHOP PAPERS

On
**A-TWO-DAY 2008 MANDATORY
CONTINUING PROFESSIONAL
DEVELOPMENT (MCPD) WORKSHOP**

On
**EFFECTIVE PROPERTY TAX ADMINISTRATION AS A
TOOL FOR GOOD GOVERNANCE**

Organised by
**THE NIGERIAN INSTITUTION OF ESTATE SURVEYORS AND
VALUERS (NIESV) NIGER STATE BRANCH**

In Collaboration with

**ESTATE SURVEYORS AND VALUERS REGISTRATION
BOARD OF NIGERIA (ESVARBON)**

**Date: Thursday, 31st July, & Friday, 1st August, 2008
Venue: Gidan Matasa, No.1 Matasa Drive Okada
Road, Minna, Niger State
Time: 9:00am prompt**

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VALUERS (NIESV), NIGER STATE BRANCH**
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A-TWO DAY 2008 MANDATORY CONTINUING PROFESSIONAL DEVELOPMENT (MCPD)
WORKSHOP ON:

**'EFFECTIVE PROPERTY TAX ADMINISTRATION AS A TOOL FOR GOOD
GOVERNANCE'**

OUTLINE OF SPEAKERS

Thursday 31st July, 2008 and Friday 1st August, 2008

1. AN EXAMINATION OF THE PROCEDURES IN TENEMENT RATE ADMINISTRATION - CASE STUDY OF NIGER STATE By: Ayo Olatunji (FNIVS, RSV)
2. LAW AND PROPERY TAX IN NIGERIA By: Adamu Umar Aliyu LL. B, BL.
3. TOWARDS EFFECTIVE PRO-POOR TOOLS FOR PROPERTY TAXATION IN NIGERIA: CHALLENGES AND PROSPECTS. BY: Muhammad Bashar Nuhu, ANIVS, RSV, MNIM
4. BRIDGING THE GAP IN URBAN GOVERNANCE THROUGH THE USE OF PRO - POOR TOOLS IN PROPERTY TAXATION. By Ajayi, M. T.A (M.Tech,ANIVS)
5. EFFECTIVE TAXATION AS A TOOL FOR ENVIRONMENTAL MANAGEMENT. BY: SIR IRE-OKOLI, CHUKWUEMEKA ROMANUS, B.sc, M.sc, FNIVS, RSV
6. LAND INFORMATION SYSTEM (LIS) AS AN INSTRUMENT FOR EFFECTIVE LAND TAXATION BY: OLU AMINU, Bsc, Msc, (GIS) ANIVS, RSV AND MR JIDE BABATUNDE, Bsc, FNIVS, RSV
7. LEGAL FRAMEWORK IN PROPERTY TAXATION UNDER A DEMOCRATIC SYSTEM BY: ISHAKU USMAN (ESQ.)
8. MULTIPLE TAXATION IN NIGERIA By HARUNAYAHAYA Chartered Accountant
9. PROPERTY TAX AS A TOOL FOR ACHIEVEING VISION 2020 BY: Leonard O. Ibbide, Bsc (Acct), MBF, AMNIM,
10. PROPERTY TAX AS A TOOL FOR EFFECTIVE AND SUSTAINABLE DEVELOPMENT (A CASE STUDY OF MINNA METROPOLIS) BY: AYOOLA A. BABATUNDE, B.Tech. AND ADEBOJUN A.SUNDAY, B.Tech, ANIVS, RSV

**PROPERTY TAX AS A TOOL FOR EFFECTIVE AND
SUSTAINABLE DEVELOPMENT
(A CASE STUDY OF MINNA METROPOLIS)**

BY

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Paper presented at a two day 2008 Mandatory Continuing Professional Development (MCPD) Workshop on Effective Property Tax Administration as a Tool for Good Governance. Organised by the Nigerian Institution of Estate Surveyors and Valuers (NIESV) Niger State Branch, in collaboration with Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON); from 31st July - 1st August 2008.

ABSTRACT

The property tax is an important source of revenue for state and local governments. On average, property taxes account for about 75% of state and local government tax revenues in the United States. These revenues are used to fund education, police and fire protection, and other government services. (*Charles F. Floyd and Marcus T. Allen, 2005*).

In a research conducted in Minna East and Bosso Local Government Area of Niger State, out of 150 people sampled about 35 people are aware of Property Rating which is a reliable source of local government finance. The remaining 115 people are ignorant of what property rating is all about. Also, at the State Inland Revenue office in Minna, only few property based taxes are in operation and collectible by this state constituted authority. The reason for this could be attributed to political, socio and economic problems associated with tax administration in the state.

This paper emphasised the need to engage the services of estate surveyors and valuers as well as State Inland Revenue offices in our rating departments comprehensive enabling Edict, vigorous enlightenment campaigns, placing checks on multiplicity of rates and judicious use of tax should be juxtaposed with the provision of amenities and infrastructures among others.

The paper concludes that, political will on the part of our government will in no small measure address the identified problems associated with property tax administration in the state.

INTRODUCTION

Tax is a sum of money paid by citizens of a country, state, or community to government for public purposes (Oyegbile O. Sunday 1996)

The evolutionary trend of property tax asserts that, the proceeds from it were used for specific purposes such as maintenance of public institution, environmental development such as road construction, provision of water, urban and rural electrification and so on but a view.

Ordinarily, the citizens of the country ought to contribute by way of payment of taxes to the working and functioning of government in proportion of their respective abilities, such as ability is measured in terms of the income, consumption or security of lives and properties which they enjoy under the organs of government. Also, payment of taxes should be used as a means of measuring the sense of civic responsibility of citizens for government services. And be that as it may, property taxation provides a stable source of revenue that is not greatly affected by short term fluctuations in business activities.

However, in Niger state, much is yet to be realised from property taxation to enable the organs of governments meet its obligations. Government has therefore resorted to the collection of fees, levies and things like that to enable it meet its obligations either sectorally or generally. This of course, should not arise when one considers the advantages of property based taxation which include easy to enforce, certainty, regularity and inexpensive in operation. So, why is Niger State finding it difficult to generate adequate revenue from property based taxes?

This paper, reflects on the current status of property taxation in Minna metropolis, highlight a number of key problem areas and tenders possible solutions to some of the problems identified.

2.0 WHAT IS A PROPERTY BASED TAX

Property tax, as an annual tax on the ownership (or occupation) of immovable property (i.e. land and/or buildings), is - as in many countries elsewhere in the world - an important source of government revenue. (RCD Franzsen 2002)

Mediora (1997) said that property based tax liability is on ownership and or occupation of property and for which the value of property, rental or capital is the basis of the assessment. He also mentioned that, the person who pays the property based tax is the owner and/or the occupier of the property. He went further to say that assessment objective of property based tax is normally capital value where the tax is on the capital worth of the property as in property tax or rental value where the tax is on the annual income of property as in property/tenement rating. In line with this, achieving the objective in each case is a highly technical and complex matter requiring the skills, knowledge, expertise and experience of an Estate Surveyor and Valuers

LEGAL BASIS OF TAXATION

In Nigeria, by the provision of section 4 sub section 2 and item 5 of part 1 of the second schedule of the constitution of the Federal Republic of Nigeria, 1999, only the Federal Government can make laws imposing any form of taxation. In addition, the Federal Government can, under item D of part II of the second schedule of the same 1999 constitution, make law for collection of taxes. The only power granted to the state government by the constitution is in item D9 to make provision for the collection of any tax, fee or rate or for the administration of the law providing for such collection by a local government council.

2.2 TAXES AND LEVIES APPROVED FOR COLLECTION BY VARIOUS TIERS OF GOVERNMENT

The undermentioned are lists of approved Taxes and Levies for the three tiers of Government issued by the "JOINT TAX BOARD"
Taxes and levies approved for collection by each tier of government in Nigeria with effect from 1st April 1997.

2.2.1 Taxes collectible by Federal Government

1. Companies Income Tax
2. Withholding Tax on Companies
3. Petroleum Profit Tax
4. Value Added Tax
5. Education Tax
6. Capital Gains Tax (Abuja residents and corporate bodies)
7. Stamp Duties - involving a corporate entity
8. Personal Income Tax in respect of :
 - a. Armed forces
 - b. Police
 - c. Residents of Abuja FCT
 - d. External Affairs and
 - e. Non-residents
 - f.

2.2.2 Taxes and levies collectible by State Government

1. Personal Income Tax;
 - a. Pay-As-You-Earn (PAYE)
 - b. Direct (self and government) Assessment
 - c. Withholding Tax

Capital Gains Tax

Stamp Duties (instrument executed by individuals)

Pools betting and lotteries, gaming and Casino Taxes.

Road Taxes
Business Premises Registration and Renewal Levy

(i) Urban areas as defined by each state - Maximum of N10,000.00 for registration and N5,000.00 for renewal per annum.

(ii) Rural areas;
- Registration: N2,000
- Renewal: N1,000 per annum

Development Levy (individuals only) not more than N100 per annum on each taxable individual

Naming of Street Registration Fee in State Capital

Right of Occupancy Fees in State Capitals

Markets where state finances are involved.

Taxes/levies collectible by local government

1. Shops and kiosks rates.
2. Tenement rates.
3. On and Off Liquor License.
4. Slaughter Slab fees.
5. Marriage, Birth and Death Registration fees.
6. Naming of Streets Registration fees (excluding state capitals)
7. Right of Occupancy fees (excluding state capitals).
8. Market/Motor parks fees (excluding markets where state finance is involved).
9. Domestic Animal Licence.
10. Bicycle, trucks, canoe, wheel barrow and carts fees other than mechanically propelled trucks.
11. Cattle tax.
12. Merriment and road closure fees.
13. Radio/television (other than radio/TV transmitter) licences and vehicle radio licence (to be imposed by the local government of the state in which the vehicle is registered).
14. Wrong parking charges.
15. Public convenience, sewage and refuse disposal fees.
16. Customary, burial ground and religious places permits and
17. Signboard/advertisement permit.

PROPERTY BASED TAXES FOR STATE GOVERNMENT

Five (5) of the Ten (10) taxes and levies collectible by state government are property based and defined. These are:

1. Capital Gains Tax
2. Stamp Duties (instrument executed by individuals)
3. Road Taxes
4. Business premises registration and renewal levy

Right of Occupancy fees in state capitals.
TABLE 1. SHOWING PROPERTY RELATED TAXES LEVIED BY STATE GOVERNMENT

TAX	APPLICABLE IN THE STATE	AMOUNT REALISABLE PER MONTH (N)	AMOUNT REALISABLE PER ANNUM (N)
CAPITA GAINS TAX	NO	-	-
STAMP DUTY	PARTIALLY	-	-
ROAD TAXES	NO	NIL	NIL
BUSINESS PREMISES REGISTRATION	YES	150,000 200,000	1,800,000 2,400,000
RIGHT OF OCCUPANCY	NO	-	-

SOURCE: STATE INLAND REVENUE OFFICE, MINNA (2007)

ANALYSIS

From the above table, it can be deduced that, the only property based tax in operation that is generating income in Minna, Niger State is business premises registration tax while others are neither recognised nor generating revenue in the state.

TABLE 2 SHOWING NIGER STATE GOVERNMENT 2007 APPROVED INTERNALLY GENERATED REVENUE THROUGH TAXES

SN	DETAIL OF REVENUE	2006 APPROVED ESTIMATE (N)	2006 ACTUAL COLLECTION (N)	2007 APPROVED ESTIMATE (N)
1	PAY AS YOU EARN	960,000,000.00	510,494,138.36	960,000,000.00
2	DIRECT ASSESSMENT	35,000,000.00	15,180,910.40	36,000,000.00
3	TAX ON DIVIDEND	10,000,000.00	6,088,438.00	10,000,000.00
4	TAX ON RENT INCOME (WITHHOLDING)	-	396,428.00	1,250,000.00
5	STAMP DUTY	1,200,000.00		250,000.00
6	TAX ON CONTRACT	106,200,000.00	15,221,061.27	50,000,000.00
7	TAX ON INTEREST	20,000,000.00	8,788,270.67	20,000,000.00
TOTAL		1,132,400,000.00	556,169,246.70	1,077,500,000.00

SOURCE: NIGER STATE GOVERNMENT APPROVED ESTIMATE (2007)

ANALYSIS

From the above table also, it is crystal clear that, out of N556,169,246.70 generated in 2006, only N396,428.00 was generated through property based tax. This is rather disheartening as the state government could not realised substantial revenue from property based taxes which are supposed to be reliable and dependable source of revenue. The table also depict that nothing was generated from Stamp Duty in the fiscal year.

4.0 PROPERTY BASED TAXES FOR LOCAL GOVERNMENT COUNCIL.

Three (3) of the seventeen (17) taxes and levies collectible by local authorities are property based as defined. These are:

1. Shops and Kiosks rates
2. Tenement rates and
3. Right of Occupancy fees (excluding state capitals)

The taxes on these are or should be based on property values and are payable by the owner or occupier.

TABLE 3. SHOWING PROPERTY RELATED TAXES LEVIED BY LOCAL GOVERNMENT COUNCILS

S/N	Local Government	Shops & Kiosks Rate	Tenement Rates	Right of Occupancy
1	Minna East	Yes	Known but not in force	-
2	Bosso	Yes	Known but not in force	-

SOURCE: RESEACHERS SURVEY(2007)

From the table 3 above, it is clear that, the only property based tax are shops and kiosks while tenement rate is known by the local government council rating officials but not in force.

TABLE 4: SHOWING RESPONSES OF PEOPLE ON AWARENESS OF PROPERTY RATING.

S/N	Local Government	Questionnaire Administered	Response	% Response
1	Bosso	75	20	26.67
2	Minna East	75	15	20
	Total	150	35	23.33

Source: Researchers survey (2007)

From the table 4 above, it is also clear that, out of 75 questionnaires administered only 20 responses were received which gives 26.67 percent of the total questionnaires administered in Bosso Local government while that of Minna East gives 20 percent. This shows that the level of awareness of property taxation is very low in these two local government areas.

TAXES LEVIEABLE BY LOCAL GOVERNMENT

S/N	TAXES	AMOUNT	AMOUNT PER ANNUM
1	Local government consolidated fund	30,000,000.00 - 40,000,000.00	35,000,000.00
2	Licence fee (e.g bicycle, motor vehicle, liquor etc)	200,000.00 - 300,000.00	250,000.00
3	Market fees	250,000.00 - 300,000.00	275,000.00
4	Shops and Kiosks Rates	400,000.00 - 500,000.00	450,000.00
5	Common Water Cycle Treatment	70,000.00 - 85,000.00	77,500.00
6	Cattle Tax	350,000.00 - 450,000.00	400,000.00
7	Development Levy	450,000.00 - 600,000.00	525,000.00
8	Motor parks fee	150,000.00 - 200,000.00	175,000.00
9	Yam Tax	800,000.00 - 1,000,000.00	900,000.00
10	Marriage Certificate	8,000.00	8,000.00
11	Local Government Property	250,000.00 - 400,000.00	325,000.00
	TOTAL		38,385,500.00

SOURCE: BOSSO LOCAL GOVERNMENT (2007)

From the above table, the only property based tax collectible by the local government is a shops and kiosks rate which is just 1.17% of the total amount analysed in the fiscal year.

5.0. PROBLEMS OF PROPERTY TAXATION IN MINNA.

The problems hindering the effective implementation of property taxation in Minna include:

1. LACK OF POLITICAL WILL ON THE PART OF GOVERNMENT- For some years back, there has been the lack of political will by government to support the authorities for assessment and collection of property taxation. The intention of many of the politicians is that they will lose the mandate of the people if so much stress of taxation is on them. They consider political assignment a cheap national cake to enrich them. This has caused a lot of set back in the growth of the economy. However, it is hoped that there will be changes with the new government in Niger State.
2. POVERTY RATE- The high level of poverty in the metropolis is another problem hindering the effective implementation of property taxation. Many of the shanty structures around are built by the hard earned income of the populace. There was an instance in a settlement (Gurara) after Kpakungu along Minna-Bida road where the owners of some building said they were not interested in the supply of electricity to same, just imagine! We were told that they have been living without light for ages. To pay tax will of course be difficult for this set of people.

3. **LACKS OF FUNDS/LOGISTICS-** Officers of State Inland Revenue Office have clamoured that there is inadequate funding for the cost of collection of the taxes. Lack of working materials and vehicles for operation make the task difficult. It is also observed that the Local councils do not have the appropriate and relevant manpower for rate collection which is a sensitive assignment. Most times the type of staff employed in our rating departments are not experts in the related field.

5.0 RECOMMENDATION

The above are some of the problems militating against the productive and effective operation of Property based taxes at the present. What is the way forward?

1. Engaging the services of Estate Surveyors and Valuers in our Rating departments and Inland Revenue Offices. There should be establishment of independent departments to concentrate on the collection and administration of property-based taxes. They should be staffed with technical manpower headed by a Professional Estate Surveyor and Valuer.
2. There should be a comprehensive updating of the legal framework for property-based taxes which must provide for
 - a. An enabling law for the state and each local authority
 - b. Clear definition and allocation of assessment responsibility to the state or local councils.
3. There should be Vigorous Public Enlightenment. The people who are expected to pay property tax must be visited. They should be educated on what they are to gain in paying taxes.
4. The land-based taxes collected at any point in time should be judiciously used in providing amenities and infrastructures.

6.0 CONCLUSION

Property based taxes possess ample advantages and potentials for revenue for state and local government councils. Its full potentials have not been realised in Mirna owing to the haphazard application. Various short-comings and constraints relating to the social, political, economic, legal and organisational state of national development have stunted its efficient operational development and growth.

These problems are not insurmountable and a lot can be achieved given the political will.

The recommendations made in this paper, we believe, provide a starting point.

Thank you.

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3. Ifediora G.S.A. (1997), Property Based Taxes Leviable by Local Government Council. (A paper presented at NIEVS seminar, Abuja.
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